IN THE

Supreme Court of the United States

OCTOBER TERM, 1925.

No. 239.

SPERRY GYROSCOPE COMPANY, *Appellant*,

vs.

ARMA ENGINEERING COMPANY.

SUPPLEMENTAL BRIEF FOR APPELLANT.

MELVILLE CHURCH,
Counsel for Appellant.

PRESS OF BYRON S. ADAMS, WASHINGTON, D. C.

INDEX OF AUTHORITIES AND STATUTES.

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I. This is a patent suit. It comes to this Court on an appeal from a decree of the United States District Court for the Eastern District of New York, dismissing the plaintiff's bill of complaint for lack of jurisdiction.

II. The authority of this Court to entertain this appeal is found in Section 238 of the Judicial Code, as it existed prior to its amendment by the Act of February 13, 1925.

The appeal was docketed in this Court January 2, 1925, before the passage of the last-mentioned Act.

III. Appellant is a manufacturer of gyroscopic compasses under the protection of nine existing United States Patents owned by it.

IV. Appellee, a corporation of New York, was sued for the infringement of these patents by the *making* by it of gyroscopic compasses embodying the patented inventions and by *selling* the same to the United States Navy Department, under contracts of sale with the latter (R., p. 48).

V. Appellee defended on the ground that it could not be sued for the infringements complained of, and that appellant's sole remedy for such infringements was by suit against the United States in the Court of Claims, under the provisions of the Act of June 24, 1910 (36 Stat. L. 851) as amended by the Act of July 1, 1918 (40 Stat. L. 705).

The Court below sustained this contention and dismissed the bill (p. 49).

VI. The Act of June 24, 1910, is entitled:

> "An Act to provide additional protection for owners of patents of the United States, and for other purposes."

It provides, among other things:

> "That whenever an invention described in and covered by a patent of the United States shall hereafter be used by the United States without license of the owner thereof or lawful right to use the same, such owner may recover reasonable compensation for such use by suit in the Court of Claims: * * *"

and

"That in any such suit the United States may avail itself of any and all defenses, general or special, which might be pleaded by a defendant in an action for infringement, as set forth in Title Sixty of the Revised Statutes, or otherwise * * *."

VII. The Act of July 1, 1918, is amendatory of the Act of 1910, and provides:

"The Act entitled 'an Act to provide additional protection for the owners of patents of the United States, and for other purposes,' approved June twenty-fifth, nineteen hundred and ten, shall be, and the same is hereby, amended to read as follows:

'That whenever an invention described in and covered by a patent of the United States shall hereafter be used or manufactured by or for the United States, without license of the owner thereof or lawful right to use or manufacture the same, such owner's remedy shall be by suit against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture * * *.'"

VIII. It is contended by appellee, and held by the Court below, that the effect of this Act of 1918 was to take away from a patent owner the right theretofore firmly secured to him of maintaining an action at law or a suit in equity, or both, against any one who, without license or authority, made specimens of the patented invention and sold them to the United States, and to substitute therefor, as his sole and exclusive

remedy for such unlawful making and selling, the right to sue the United States in the Court of Claims for compensation, only.

IX. Appellant, on the other hand, contends that such far-reaching interpretation of the Acts of 1910 and 1918, is not only not reasonable, but consistently with their maintenance, not possible; not reasonable, because the Acts, on their face, do not purport to take away any pre-existing rights of a patent owner, but, on the contrary, undertake to provide him "additional protection", and may be construed to be in complete harmony with the pre-existing Acts; and not possible, because such far-reaching interpretation would render said Acts unconstitutional and void.

X. Under the Constitution and Laws of the United States, patents are property. (Paper Bag Case, 210 U. S. 405-424.) They confer upon the owners thereof the exclusive right to make, to use and to sell the patented invention, for seventeen years. (Sec. 4884, R. S. U. S.)

Prior to 1910, any person, firm, or corporation who, without authority from the owner thereof, made, used or sold a patented invention, committed a tort, and was guilty of infringement.

The United States was no exception to this rule; but, while any other infringer could be sued and brought to account, the United States could not be, because it had not formally consented to be sued for its torts.

James v. Campbell, 104 U. S. 356.
Schillinger vs. U. S., 155 U. S. 163.

XI. If Congress had prescribed no remedy for the tortious invasion of his right, the common law action of trespass on the case would have been available to a patent owner. It was the remedy, at common law, in England, at the time our patent system was adopted.

> Curtis on Patents, 4th Ed. 470, Sec. 344.
> Robinson on Patents, Vol. III, p. 111.

But Congress, in its first legislation respecting patents, specifically declared that this form of action should be available to a patent owner.

Accordingly, in the Patent Act of 1790 (1 Stat. L. 109), it was provided, by Section 4, that upon the violation of the patent owner's exclusive right

> "Every person so offending shall forfeit and pay to the said patentee or patentees, his, her or their executors, administrators or assigns, such damages *as shall be assessed by a jury*, and, further, shall forfeit to the person aggrieved the thing or things so devised, made, constructed, used, employed or vended contrary to the true intent of this Act, which may be recovered in *an action on the case* founded on this Act."

XII. This right of the patent owner to a vindication of the exclusive property rights conferred upon him, by a suit at common law in the nature of an action of trespass on the case, carrying with it, necessarily, a trial by jury, has been perpetuated and preserved throughout all subsequent patent acts and now finds expression in Section 4919 R. S. U. S., which reads as follows:

"Sec. 4919. Damages for the infringement of any patent may be recovered by action on the case, in the name of the party interested, either as patentee, assignee, or grantee. And whenever in any such action a verdict is rendered for the plaintiff, the Court may enter judgment thereon for any sum above the amount found by the verdict as the actual damages sustained, according to the circumstances of the case, not exceeding three times the amount of such verdict, together with the costs."

XIII. It requires no extended argument to demonstrate that suits for damages in the form of actions of trespass on the case thus authorized, in terms, by the Statutes of the United States, are suits at common law, and that the right to have such suits tried by a jury cannot be taken away even by Congress itself, because of the inhibitions of the Seventh Amendment to the Constitution, which provides:

"In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law."

The Sarah, 8 Wheat. 391.
Parsons v. Bedford, 3 Peters, 433.
Root v. Railway Co., 105 U. S. 189-206.
Lincoln v. Power, 151 U. S. 436-438.
Knickerbocker Ins. Co. v. Comstock, 16 Wall. 258-269.
Fed. Stat. Ann., Vol. II, p. 494.

XIV. Patent suits, at law, fall within the Constitutional provision.

Root v. Railway Co., 105 U. S. 189, 206, 213.

XV. The Acts of 1910 and 1918 do not, in terms, repeal any prior Acts, but if it is contended that they repeal, by implication, the general Patent Acts giving to a patent owner the right to his action of trespass on the case, with a trial by jury, against one who unlawfully makes specimens of the patented invention and sells them to the United States, the answer is, that what may not be done directly may not be done indirectly, and that a direct repeal of such prior Acts giving a right to trial by jury would not be possible, because unconstitutional.

We go so far as to assert that, if Congress had, in either of the Acts of 1910 or 1918, stated, in terms, that "the right to trial by jury heretofore existing under Section 4919 against one who, without license or lawful right, makes specimens of the patented invention and sells them to the Government, is hereby abrogated and taken away, and the patent owner's remedy by suit in the Court of Claims against the Government, in such a case, provided by this Act, is substituted therefor, as the patent owner's sole and exclusive remedy," such Act would have been clearly unconstitutional and void as violative of the Seventh Amendment.

XVI. Not only is the common law action of trespass on the case, triable by a jury, prescribed by the general Statutes, as a patent owner's always-available remedy,

but there is also given to him a right to bring a suit in equity for the infringement of his patent, whereby he may obtain an injunction restraining future infringements and a recovery of profits made by the infringer, as well as damages, with a power in the chancellor to treble the actual damages that might be ascertained.

This additional remedy finds expression in Section 4921, R. S. U. S., which it is unnecessary to here quote at length.

The Act of February 16, 1875, which is still on the Statute books, provides, additionally, that in the proceeding in equity, referred to, the Court may impanel a special jury of not less than five and not more than twelve persons and submit to them such questions of fact as it may deem expedient.

XVII. This remedy in equity is of the greatest value. The power of the Court to grant an injunction has, however, been held to be essential to its jurisdiction.

Root v. Railway Co., 105 U. S. 189.

XVIII. In this connection, it should be noted, that the *power* to grant an injunction and the *exercise of that power* are quite different things. It is the former that gives the Court of Equity jurisdiction.

Clark v. Wooster, 119 U. S. 322-324.
U. S. Mitis Co. v. Detroit, etc., 122 Fed. 863-865 (C. C. A. 6.)

Cases may arise in which the Court, in its discretion, may refuse to exercise its power, but, nevertheless, having the power and the right to exercise it, it may

proceed to give other than injunctive relief. For instance, if in time of stress, an infringer shall make the patented thing in quantities and undertake to sell them to the United States, no Court would hesitate to refuse an injunction, though its *power* to grant one would give it jurisdiction and justify it in retaining the bill and ordering the defendant to account for his infrnging acts.

XIX. Since the Acts of 1910 and 1918 do not, in terms, nor by implication, take away the power of Courts of Equity to grant injunctions to patent owners, the discretionary power to grant or withhold such injunction, lodged in those Courts, may well be relied upon to protect the United States when occasion requires.

XX. Section 4920, R. S. U. S., provides that, in the common law action of trespass on the case, when invoked by a patent owner, the defendant, by pleading the general issue and upon giving thirty days' notice before trial, may plead any or all of certain enumerated defenses; and also provides that the like defenses may be pleaded in the defendant's answer in equity suits, upon like notice.

XXI. Section 4921 also provides that in any such suit in equity opinion or expert testimony may be received and upon such evidence and any other in the case, the Court may adjudge and decree "the payment by the defendant to the plaintiff of a reasonable sum as profits or damages for the infringement."

XXII. Furthermore, the Statutes not only provide for the institution of either the common law action of

trespass on the case, under Section 4919, and the trial of the suit in equity, under Section 4921, by the District Court of the United States (Judicial Code, Section 24), but for a review of such cases, as a matter of right, by writ of error or appeal, by the United States Circuit Courts of Appeal (Judicial Code, Sections 128-129).

XXIII. Now, all these elaborate provisions of the General Patent Acts, securing to a patent owner (1) the right, under the Constitution, to prosecute a suit at common law, before a jury, for the tortious invasion of his patent; (2) the right to have the verdict of the jury trebled by the Court in such a case; (3) the right to sue in equity for an injunction, for profits, for damages and a trebling of the damages; (4) the right to require the defendant to plead his defenses; and (5) the right to a review, by a superior tribunal, *as matter of right*, of the action of the trial Court, either at law or in equity, by writ of error or appeal, the Court below has, in effect, held to be swept away by the Acts of 1910 and 1918, as against one who has violated the patent owner's exclusive right to manufacture and his exclusive right to sell to the United States, notwithstanding the absence of any words in said last-mentioned Acts repealing or rendering inoperative such prior general Patent Acts and, notwithstanding, also, the fact that such later Acts were passed with the avowed purpose, expressed on their face, of according to patent owners "additional protection!"

XXIV. To compel a patent owner to go to the Court of Claims, where jury trials are not available, where a trebling of damages is not permissible, where injunctive relief cannot be given, where defenses are not re-

quired to be specially pleaded, and from whose judgments there is no appeal to any superior tribunal, as matter of right—is to impose hardships that it cannot be presumed Congress intended to impose.

XXV. If we consider, however, the Acts of 1910 and 1918 as being what they purport to be, namely, Acts that take nothing from the prior protection of a patent owner, but that merely give him additional protection, all of the Acts of Congress on the subject of patents may stand as one harmonious whole, the new right conferred by the later Acts, to-wit, the right to sue the United States for compensation for its misdoings, being merely additive in its nature. Such a construction of the later Acts seems rational and sane, is consistent with the ordinary canons of interpretation of Statutes, and is not violative of any constitutional provision.

XXVI. If it be contended that inasmuch as the present suit is one brought on the equity side of the Court and does not, therefore, involve, directly, the denial of the plaintiff's right to a trial by jury, the answer is that the argument based upon the right to a jury trial is here advanced mainly as a guide to the proper interpretation of the Acts of 1910 and 1918, and to show the necessity of regarding those Acts as providing merely "additional protection" to patent owners and not as Acts taking away from patent owners substantive rights theretofore enjoyed by them under the general Patent Acts.

We might, however, add, in passing, that it is competent for plaintiff to have this very case transferred to the law side of the Court, under General Equity Rule 22 promulgated by this Court for the guidance of

the District Courts sitting in equity, reading as follows

> "Rule 22. If at any time it appears that a suit commenced in equity should have been brought as an action on the law side of the Court, it shall be forthwith transferred to the law side and be there proceeded with, with only such alteration in the pleadings as shall be essential."

Thus, a jury trial is yet available to the appellant.

The decree below should be reversed.

MELVILLE CHURCH,
Counsel for Appellant.

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I. ARTICLE I, SECTION 8, OF THE CONSTITUTION.

"The Congress shall have power * * * to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."

(Fed. Stat. Anno. Vol. 10, p. 783.)

II. SECTION 4884 R. S. U. S.

"Every patent shall contain a short title or description of the invention or discovery, correctly indicating its nature and design, and a grant to the patentee, his heirs or assigns, for the term of seventeen years, of the exclusive right to make, use, and vend the invention or discovery throughout the United States, and the Territories thereof, referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof."

(Fed. Stat. Anno. Vol. 7, p. 14.)

III. ACT OF MARCH 3, 1911 (JUDICIAL CODE).

"Sec. 24. The district courts shall have original jurisdiction as follows:

* * * * * * *

Seventh. Of all suits at law or in equity arising under the patent, the copyright, and the trademark laws."

(Fed. Stat. Anno. Vol. 4, p. 838.)

"Sec. 48. In suits brought for the infringement of letters patent the district courts of the United States shall have jurisdiction, in law or in equity, in the district of which the defendant is an inhabitant, or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business.

If such suit is brought in a district of which the defendant is not an inhabitant, but in which such defendant has a regular and established place of business, service of process, summons, or subpoena upon the defendant may be made by service upon the agent or agents engaged in conducting such business in the district in which suit is brought."

(Fed. Stat. Anno. Vol. 5, p. 478.)

IV. SECTION 4919, R. S. U. S.

"Damages for the infringement of any patent may be recovered by action on the case, in the name of the party interested, either as patentee, assignee, or grantee. And whenever in any such action a verdict is rendered for the plaintiff, the court may enter judgment thereon for any sum above the amount found by the verdict as the actual damages sustained, according to the circumstances of the case, not exceeding three times the amount of such verdict, together with the costs."

(Fed. Stat. Anno. Vol. 7, p. 288.)

V. SECTION 4920, R. S. U. S. (Title LX)

"Sec. 4920. In any action for infringement the defendant may plead the general issue, and, having given notice in writing to the plaintiff or his attorney thirty days before, may prove on trial any one or more of the following special matters:

First. That for the purpose of deceiving the public the description and specification filed by the patentee in the Patent Office was made to contain less than the whole truth relative to his invention

or discovery, or more than is necessary to produce the desired effect; or,

Second. That he had surreptitiously or unjustly obtained the patent for that which was in fact invented by another, who was using reasonable diligence in adapting and perfecting the same; or,

Third. That it has been patented or described in some printed publication prior to his supposed invention or discovery thereof, or more than two years prior to his application for a patent therefor; or,

Fourth. That he was not the original and first inventor or discoverer of any material and substantial part of the thing patented; or,

Fifth. That it had been in public use or on sale in this country for more than two years before his application for a patent, or had been abandoned to the public.

And in notices as to proof of previous invention, knowledge or use of anything patented, the defendant shall state the names of the patentees and the dates of their patents, and when granted, and the names and residences of the persons alleged to have invented or to have had the prior knowledge of the thing patented, and where and by whom it had been used; and if any one or more of the special matters alleged shall be found for the defendant, judgment shall be rendered for him with costs. And the like defenses may be pleaded in any suit in equity for relief against an alleged infringement; and proofs of the same may be given upon like notice in the answer of the defendant, and with the like effect."

(Fed. Stat. Anno., Vol. 7, p. 309.)

VI. AMENDMENT VII OF THE CONSTITUTION.

"In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury shall be otherwise reexamined in any court of the United States, than according to the rules of the common law."

(Fed. Stat. Anno. Vol. 11, p. 494.)

VII. SECTION 4921, R. S. U. S.

"The several courts vested with jurisdiction of cases arising under the patent laws shall have power to grant injunctions according to the course and principles of courts of equity, to prevent the violation of any right secured by patent, on such terms as the court may deem reasonable; and upon a decree being rendered in any such case for an infringement the complainant shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby; and the court shall assess the same or cause the same to be assessed under its direction. If on the proofs it shall appear that the complainant has suffered damage from the infringement or that the defendant has realized profits therefrom to which the complainant is justly entitled, but that such damages or profits are not susceptible of calculation and determination with reasonable certainty, the court may, on evidence tending to establish the same, in its discretion, receive opinion or expert testimony, which is hereby

declared to be competent and admissible, subject to the general rules of evidence applicable to this character of testimony; and upon such evidence and all other evidence in the record the court may adjudge and decree the payment by the defendant to the complainant of a reasonable sum as profits or general damages for the infringement: *Provided,* That this provision shall not affect pending litigation. And the court shall have the same power to increase such damages, in its discretion, as is given to increase the damages found by verdicts in actions in the nature of actions of trespass upon the case; but in any suit or action brought for the infringement of any patent there shall be no recovery of profits or damages for any infringement committed more than six years before the filing of the bill of complaint or the issuing of the writ in such suit or action, and this provision shall apply to existing causes of action. And it shall be the duty of the clerks of such courts within one month after the filing of any action, suit, or proceeding arising under the patent laws to give notice thereof in writing to the Commissioner of Patents, setting forth in order so far as known the names and addresses of the litigants, names of the inventors, and the designating number or numbers of the patent or patents upon which the action, suit, or proceeding has been brought, and in the event any other patent or patents be subsequently included in the action, suit, or proceeding by amendment, answer, cross bill, or other pleading, the clerk shall give like notice thereof to the Commissioner of

Patents, and within one month after the decision is rendered or a decree issued the clerk of the court shall give notice thereof to the Commissioner of Patents, and it shall be the duty of the Commissioner of Patents, on receipt of such notice forthwith to indorse the same upon the file wrapper of the said patent or patents and to incorporate the same as a part of the contents of said file or file wrapper; and for each notice required to be furnished to the Commissioner of Patents in compliance herewith a fee of 50 cents shall be taxed by the clerk as costs of suit."

(Fed. Stat. Anno. 1922 Supp. p. 266.)

VIII. ACT OF FEBRUARY 16, 1875, ch. 77, 18 Stat. L. 315.

"Sec. 2. That said courts,* when sitting in equity for the trial of patent cases, may impanel a jury of not less than five and not more than twelve persons, subject to such general rules in the premises as may, from time to time, be made by the Supreme Court, and submit to them such questions of fact arising in such cause as such circuit court shall deem expedient; and the verdict of such jury shall be treated and proceeded upon in the same manner and with the same effect as in the cases of issues sent from chancery to a court of law and returned with such findings."

(Fed. Stat. Anno. Vol. 7, p. 374.)

NOTE: The United States courts having jurisdiction of patent cases.

IX. ACT OF JUNE 24, 1910, ch. 423, 36 Stat. L. 851.

"An Act to provide additional protection for owners of patents of the United States, and for other purposes."

"That whenever an invention described in and covered by a patent of the United States shall hereafter be used by the United States without license of the owner thereof or lawful right to use the same, such owner may recover reasonable compensation for such use by suit in the Court of Claims: *Provided, however,* That said Court of Claims shall not entertain a suit or reward compensation under the provisions of this Act where the claim for compensation is based on the use by the United States of any article heretofore owned, leased, used by, or in the possession of the United States: *Provided further,* That in any such suit the United States may avail itself of any and all defenses, general or special, which might be pleaded by a defendant in an action for infringement, as set forth in Title Sixty of the Revised Statutes, or otherwise: *And provided further,* That the benefits of this Act shall not inure to any patentee, who, when he makes such claim is in the employment or service of the Government of the United States; or the assignee of any such patentee; nor shall this Act apply to any device discovered or invented by such employee during the time of his employment or service."

(Fed. Stat. Anno. Vol. 7, p. 375.)

X. ACT OF JULY 1, 1918, ch. 114, 40 Stat. L. 705.

"The Act entitled 'An Act to provide additional protection for the owners of patents of the United States, and for other purposes,' approved June twenty-fifth, nineteen hundred and ten, shall be, and the same is hereby, amended to read as follows, namely:

'That whenever an invention described in and covered by a patent of the United States shall hereafter be used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, such owner's remedy shall be by suit against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture: *Provided, however,* That said Court of Claims shall not entertain a suit or award compensation under the provisions of this Act where the claim for compensation is based on the use or manufacture by or for the United States of any article heretofore owned, leased, used by, or in the possession of the United States: *Provided further,* That in any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement, as set forth in Title Sixty of the Revised Statutes, or otherwise: *And provided further,* That the benefits of this Act shall not inure to any patentee who, when he makes such claim, is in the employment or service of the Government of the United States, or the assignee of any such patentee; nor shall this

Act apply to any device discovered or invented by such employee during the time of his employment or service.' "

(Fed. Stat. Anno. 1918 Supp. p. 578.)

XI. EQUITY RULE 22.

"22. If at any time it appears that a suit commenced in equity should have been brought as an action on the law side of the court, it shall be forthwith transferred to the law side and be there proceeded with, with only such alteration in the pleadings as shall be essential."